

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /080 W

----- 071434

R 011658Z SEP 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1490

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY VIENNA

AMEMBASSY BERN

CONFIDENTIAL SECTION 01 OF 02 BONN 14631

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: REVISED EMBASSY FORECAST OF GERMAN 1976

CURRENT ACCOUNT

1. BASED ON FIRST HALF 1976 TRADE STATISTICS, WE NOW  
BELIEVE THAT THE GERMAN CURRENT ACCOUNT SURPLUS IN 1976  
WILL BE IN THE DM 7.0 BILLION RANGE.

2. AS EXPECTED, GERMAN EXPORTS AND IMPORTS HAVE GROWN  
AT A HEALTHY PACE THUS FAR IN 1976, BY 13.1 AND 20.7  
PERCENT RESPECTIVELY OVER FIRST HALF 1975 LEVELS. WE  
ASSUME A CONTINUATION OF THE GROWTH TRENDS, WITH,  
HOWEVER, A STRONGER SHOWING FOR EXPORTS IN THE SECOND  
HALF OF 1976 AND A SLIGHT DECREASE IN IMPORT GROWTH

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LEVELS. FOR THE YEAR AS A WHOLE WE FORECAST CURRENT

ACCOUNT AS FOLLOWS:

1976 GERMAN CURRENT ACCOUNT

(DM BILLION)

1975      1976      PERCENT CHANGE

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EXPORTS      221.6      255.0      15.1  
IMPORTS      184.3      220.0      19.4

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TRADE BALANCE      37.3      35.0

TRADE ADJUSTMENT      -2.0      0.0

SERVICES      -8.7      -9.0

TRANSFERS      -17.1      -19.0

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CURRENT ACCOUNT      9.5      7.0

COMPARISON OF 1ST HALF 1975-1976

(DM BILLION)

1ST HALF      1ST HALF      PERCENT  
1975      1976      CHANGE

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EXPORTS      108.4      123.2      13.7  
IMPORTS      88.7      107.0      20.7

----      ----

TRADE BALANCE      19.7      16.2

TRADE ADJUSTMENT      -1.3      0.4

SERVICES      -3.6      -3.2

TRANSFERS      -7.9      -8.6

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CURRENT ACCOUNT      7.0      4.8

EXPORTS: BENEFITTING FROM A GENERALIZED ECONOMIC  
RESURGENCE, GERMAN EXPORTS ARE ONCE AGAIN ON THE RISE  
(UP 13.7 PERCENT) FOLLOWING A 4.0 PERCENT DECLINE IN  
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1975. AS PREDICTED IN THE EMBASSY'S FORECAST EARLIER  
THIS YEAR (BONN 8301), EXPORT PATTERNS ARE MOVING BACK  
TOWARDS PRE-RECESSIONARY STANDARDS AS INDUSTRIALIZED  
NATIONS ARE ABSORBING ONCE AGAIN LARGER PORTIONS OF  
GERMANY'S EXPORTS. EXPORTS TO INDUSTRIAL COUNTRIES  
INCREASED 18.3 PERCENT DURING THE FIRST HALF OF 1976,  
OVER THE FIRST HALF OF 1975, WHICH MORE THAN COMPENSATED  
FOR SLOWER GROWTH IN EXPORTS TO COMECON AND DEVELOPING

COUNTRIES (2.8 AND 2.6 INCREASES RESPECTIVELY). TWO FACTORS HAVE INFLUENCED OUR JUDGEMENT IN ESTIMATING THAT EXPORT GROWTH WILL SURPASS 13.7 PERCENT FOR THE YEAR. THE FIRST IS THAT BASED ON SEASONALLY ADJUSTED FIGURES GERMAN EXPORTS GREW AT AN ANNUAL RATE OF APPROXIMATELY 20 PERCENT IN THE FIRST HALF OF 1976 AS COMPARED TO THE PREVIOUS SIX-MONTH PERIOD. IN SPITE OF THE FACT THAT THE ANNUAL RATE DECREASED TO APPROXIMATELY 10 PERCENT FROM THE FIRST TO SECOND QUARTER IN 1976, AN UNLIKELY

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R 011658Z SEP 76

FM AMEMBASSY BONN

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INFO USMISSION OECD PARIS

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AMEMBASSY VIENNA

AMEMBASSY BERN

C O N F I D E N T I A L SECTION 02 OF 02 BONN 14631

ASSUMPTION OF ZERO GROWTH FOR THE REMAINDER OF 1976 ALREADY YIELDS A YEAR OVER YEAR EXPORT GROWTH RATE OF 11.8 PERCENT. AN ASSUMPTION OF CONTINUED GROWTH AT THE PRESENT RATE, ON THE OTHER HAND, TRANSLATES TO A YEARLY

GROWTH RATE OF 14 PERCENT. INCORPORATING THE SECOND FACTOR, TRENDS IN FOREIGN ORDERS, WHICH ACCORDING TO SEASONALLY ADJUSTED DATA HAS GROWN AT AN 18 PERCENT ANNUAL RATE IN THE FIRST HALF OF 1976 AND WHICH SHOWED A SIZABLE JUMP IN PRELIMINARY JUNE FIGURES (201 UP FROM 182 IN MAY), LEADS TO AN EMBASSY PROJECTION OF SLIGHTLY OVER 15 PERCENT GROWTH IN EXPORTS FOR 1976.

5. IMPORTS: EMBASSY FORECAST OF DM 220.0 BILLION IS BASED ON IMPORT/GNP RELATIONSHIP AND HAS NOT BEEN CHANGED SIGNIFICANTLY FROM OUR PREVIOUS PROJECTIONS.

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6. SERVICES: PROJECTIONS OF EXPORTS AND IMPORTS OF SERVICES FOLLOW:

EXPORTS

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JAN-MAY

1974 1975 1976 1976 EST

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TRAVEL	6.0	7.1	2.8
TRANSPORTATION	12.9	13.4	5.1
INSURANCE	1.4	1.6	1.0
INVESTMENT INCOME	12.8	12.6	5.0
GOV'T PAYMENTS	7.8	8.3	8.6
OTHER 1/	7.8	9.9	4.9
	48.7	52.9	22.4
			53.0

IMPORTS

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JAN-MAY

1974 1975 1976 1976 EST

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TRAVEL	18.2	20.8	7.5
TRANSPORTATION	6.8	7.3	3.0
INSURANCE	1.6	2.0	0.9
INVESTMENT INCOME	13.0	11.7	4.2
GOVT PAYMENTS	0.9	2.1	0.7
OTHER 1/	14.9	17.8	8.3
	56.4	61.7	24.6
			62.0

L/ INCLUDES: COMMISSION FEES, PUBLICITY AND TRADE

FAIRS, LICENSES, PATENTS, PERSONAL  
SERVICES, ETC.

6. TRANSFERS: EMBASSY PROJECTION OF TRANSFERS FOLLOWS:  
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TRANSFERS BALANCE

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(DM BILLION)

HALF YEAR

1974 1975 1976 1976

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RECEIPTS	5.1	4.9	3.0	5.7
EXPENDITURES	21.4	21.9	11.7	24.7
	16.3	17.0	8.7	19.0

TRANSFERS DEFICITS, BASED ON HISTORICAL TRENDS, ARE EXPECTED TO INCREASE AS THE YEAR PROGRESSES. IN BOTH 1974 AND 1975, FOR EXAMPLE, EXPENDITURES ON THE TRANSFERS ACCOUNT IN THE SECOND HALF OF THE YEAR ACCOUNTED FOR 54 AND 52 PERCENT RESPECTIVELY OF TOTAL YEAR EXPENDITURES. REVENUES, ON THE OTHER HAND, HAVE SHOWN THE OPPOSITE TREND.

HILLENBRAND

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